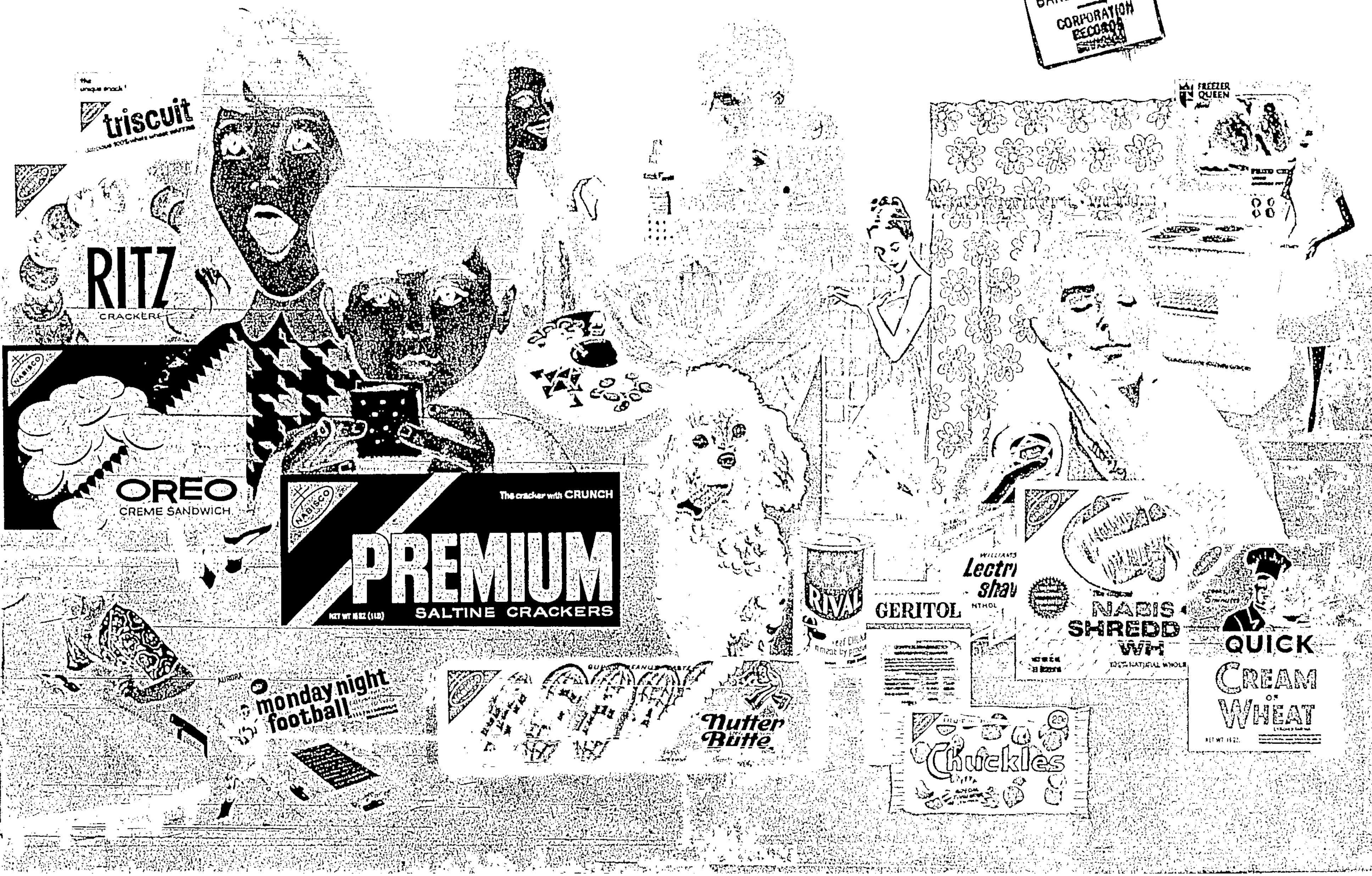
NABISCO, INC. ANNUAL REPORT/ 1973



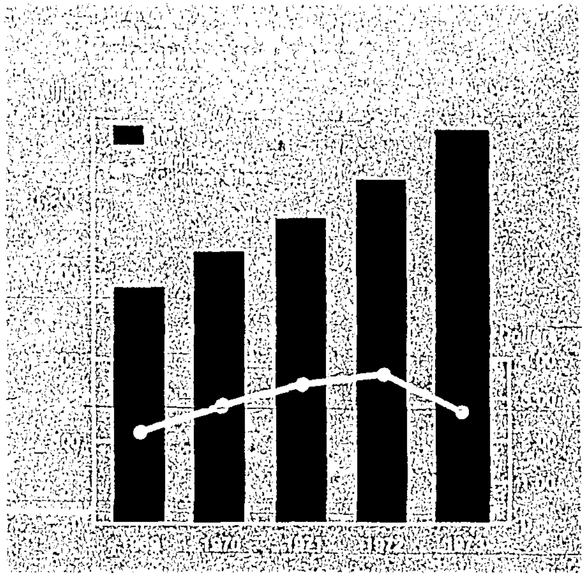
Growth and Diversification

For many years, Nabisco was chiefly in the business of producing and marketing a broad line of crackers and cookies and is the recognized leader in this specialized phase of the baking industry.

However, over the past decade, a program of wide diversification and the acquisition of new lines of products have greatly altered Nabisco's make-up. Today, the Company is actively and profitably engaged in many different types of businesses. They range from foods to pharmaceuticals, from toys to shower curtains; each major line includes the potential for growth essential to Nabisco's future.

Trademarks and brand-name products are the basis of our business. Pictured above and on the covers of this report are some of the corporate and product names now part of present-day Nabisco operations. They form a family of familiar names and trademarks and illustrate the number of markets in which Nabisco is playing an expanding role.

NABISCO, INC.
425 PARK AVENUE, NEW YORK, N.Y. 10022



NOTICE OF ANNUAL MEETING

The annual meeting of shareholders will be held at 2:00 P.M. on Monday, April 29, 1974, in the Grand Ballroom of The Commodore Hotel, between Park and Lexington Avenues on 42nd Street in New York City.

Financial Highlights	1973	1972
Net sales	$1,454,600,000	$1,281,200,000
Income from operations	99,800,000	126,200,000
Net income	44,000,000	58,500,000
Net income per dollar of sales	3.0 cents	4.6 cents
Net income per common share	2.75	3.66
Dividends declared per common share	2.30	2.225
Dividends declared	35,200,000	33,500,000
Capital expenditures	92,100,000	60,200,000
Working capital	215,100,000	173,300,000

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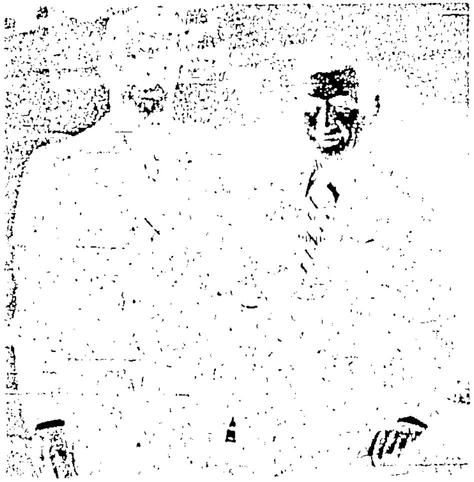


On June 25, 1973, The Board of Directors of Nabisco, Inc. elected Robert M. Schaeberle Chairman of the Board and Chief Executive Officer, and Val B. Diehl President and Chief Operating Officer, effective July 1, 1973.

As the Company's ninth Chief Executive Officer, Robert Schaeberle, right, has had more than 27 years' experience with Nabisco.

A native of New Jersey and a graduate of Dartmouth College, Mr Schaeberle, 51, began his Nabisco career in 1946. Appointed Controller in 1960, he became Assistant to the President and a corporate Vice President in 1962. He was elected a Director and Executive Vice President in 1966 and President in 1968.

Mr. Schaeberle is a Director of Libbey-Owens-Ford Company, The Prudential Insurance Company of America and the Grocery Manufacturers of America.

Val Diehl brings to the Presidency a Nabisco career spanning 31 years.

Mr Diehl, 57, was born in Mitchell, South Dakota and graduated from Dakota Wesleyan University. He joined Nabisco in 1942 and served in a number of sales positions until 1954, when he was named Assistant to the Director of International Operations.

In 1961, he became Assistant to the President and Vice President—International Division in 1962. In 1968, he was elected a Director and Executive Vice President.

To Nabisco Shareholders

In 1973, Nabisco, Inc. sales again reached a new record high of $1,454.6 million compared to $1,281.2 million in 1972. All major consumer product lines participated in this over-all 14 per cent increase throughout the world. Unprecedented cost increases during the year and strict economic controls both at home and abroad, however, reduced profits, particularly in our consumer food-processing areas. Profits in 1973 were $44.0 million or $2.75 per share compared to our all-time high in 1972 of $58.5 million or $3.66 per share. It is a great disappointment that earnings did not keep pace with sales growth.

Extreme inflationary cost increases impacted all segments of our operations. Higher interest and financing costs further reduced profits in 1973. To illustrate the spiraling cost of major raw materials, the market prices of wheat, sugar and cocoa are charted on the next page. Cost increases like these, coupled with governmental price controls, in the United States and in the majority of countries in which we do business, have restricted our ability to maintain profits through selling price increases.

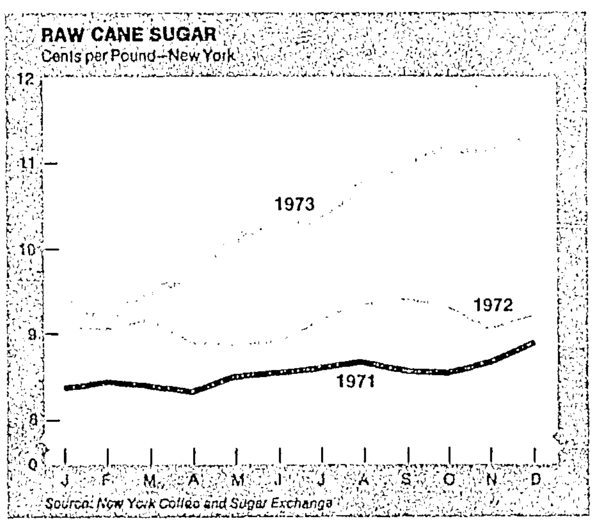
With the inception of Phase IV regulations in the United States in the latter half of 1973, Nabisco is now permitted a faster selling price recovery of domestic commodity cost increases. However, since the latter part of 1973, price recovery of other cost increases, such as wages, related benefits, packaging materials and all distribution, has been delayed and has had to be completely absorbed while awaiting approval from the Cost of Living Council of proposed price increases. As we have obtained required approvals, we have been implementing price increases throughout our product lines. These price increases will greatly assist our efforts to restore more normal profit margins.

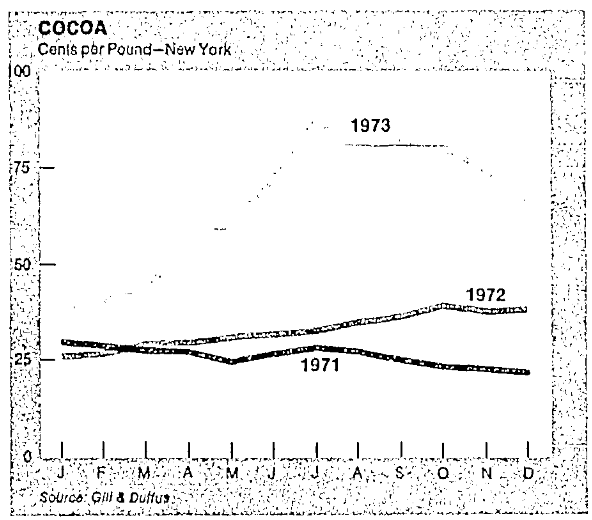
Nabisco's major product lines recorded significant sales increases last year and we entered 1974 in a strong market position. Nabisco enhanced its strength in the fast growing snack food market. Cookie and cracker sales moved ahead worldwide, particularly in Australia and Canada. Nabisco is participating fully in many countries in the strong cereal growth trend. Our MILK-BONE Dog Biscuit line is expanding significantly and through Associated Products, Inc., we have entered the main-meal pet food business. The established pharmaceutical and men's toiletry brands of The J. B. Williams Company, Inc. continue to lead the way in many of their product categories. Freezer Queen sales of frozen convenience foods recorded substantial increases during the year in a rapidly expanding market. Our main product lines offer the opportunity for significant expansion around the world.

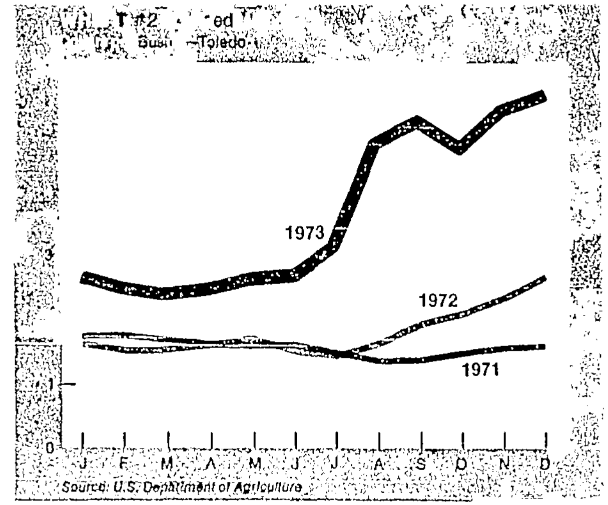
Although Aurora Products sales of toys and games showed an increase for 1973, unsettled market conditions at year end resulted in sharply reduced sales during the last few weeks of the year. Combined with higher costs for materials and certain inventory revaluations, this resulted in an unanticipated operating loss. Changes are being implemented which are expected to return Aurora—a leader in its industry—to a profitable position.

Results of Nabisco's international operations during 1973 were affected by factors similar to those encountered in the U.S. Strong sales growth and record sales levels were attained in almost every area; however, inflation, rapidly rising costs

and restrictive governmental price controls inhibited profit growth in a number of areas. Thus, while total consolidated international sales surpassed $400 million for the first time, net earnings, excluding gains from changes in foreign currency translation rates, were down from 1972. Certain international operations, however, reported impressive gains in both sales and profits. Canada, Latin America and Australia, among others, turned in strong performances. In Germany, the high cost of cocoa and other raw materials, combined with weather conditions adverse to sales, had a negative effect on chocolate operations. Our biscuit and cracker operations in that country, subjected to continuing operating pressures, have not yet achieved a profitable status. Overall, our international operations are sound and well-structured for continued growth. We are optimistic concerning their future prospects. Despite temporary setbacks, they will play an important part in Nabisco's future as a worldwide diversified consumer goods company.







During the last quarter of 1973, Nabisco sold $75 million of Sinking Fund Debentures in a United States debt offering. The Company's need for additional long-term financing developed as a result of a strong capital expenditure program combined with increased working capital needs in the higher growth areas of the Company's operations. The proceeds of the issue were used to retire short-term debt temporarily incurred to finance these needs. This financing has resulted in an improved corporate balance between short and long term debt.

Mr. Lee S. Bickmore, Chairman and Chief Executive Officer for the past twelve years, retired on July 1, following his 65th birthday, in accordance with Company practice. We are very pleased that Mr. Bickmore will remain on our Board of Directors and that we will continue to have his counsel in the capacity of Chairman of the Executive Committee. Under his guidance and direction, the Company has expanded geographically and by diversification into many new consumer product lines. His span of service extended 40 years and concluded in our 75th, or "Nabisco Diamond Jubilee," year of operation. To mark this anniversary year, we adopted the theme "Global Leadership Today and Tomorrow" for a number of scheduled activities.

At the conclusion of our 75th Anniversary, we believe Nabisco was well positioned to move forward significantly in 1974 and coming years. Our basic management policies have served the Company well and provide the flexibility and quick response needed in today's ever-changing environment. Management is directing major attention and resources to profit improvement projects and greater productivity in facilities and systems. In a period of actual and potential shortages in energy resources, we are continually reviewing supply and utilization to insure the optimum allocation of

resources, both from our standpoint and in the interests of the public in the many markets in which we are operating.

With respect to the utilization of energy and commodity resources, inhibiting governmental controls exist throughout the world. Temporary restraints such as the "freeze" in the U.S. in 1971 may be useful or even necessary to spur public interest and reaction. However, controls, as they continue, become self-perpetuating, complicated, ineffective and then damaging as they lead to imbalance in the economy. We believe the free market system is in the best long range interests of the general public, our customers, and Nabisco, and provides the best mechanism to achieve the fair and equitable use of resources.

Through the application of production know-how and marketing skills, Nabisco operations involve the development of franchised products to achieve increasing consumer acceptance and market position. We are known for the quality of our products. We will maintain high standards of quality, but at the same time, incorporate whatever changes in our product lines are needed to meet the ever-shifting pattern of consumer desires. This pursuit of quality has established such famous brands as RITZ, PREMIUM, OREO, NABISCO Shredded Wheat in our United States operations. Many equally famous brands around the world have been added to our overall product line in recent years. With our various operations we are able to serve increasingly larger retail outlets that offer a wide variety of processed foods and trend towards more emphasis on non-food items.

Further diversification was achieved by the acquisition of Associated Products, Inc. Its RIVAL and BLUE MOUNTAIN pet foods represent our entry into the largest section of the total pet-food market. In addition, Associated Products, Inc. brought to us the "Hygiene" shower curtains and "Everlon" curtains and fabrics, thereby achieving additional distribution in non-food outlets.

Capital expenditures in 1973 rose to $92.1 million. Our new and highly sophisticated bakeries at Richmond, Virginia, and Evry, France, near Paris, both began production in 1973. These two bakeries will achieve significant increases in production capacity. An International Training and Research Center in Chateau Thierry, France, was formally opened in May. This facility, the only one of its kind in Europe, is already performing new product research and development, material testing, productivity studies and training technical personnel for our associate Companies. A new bakery in Managua, Nicaragua, opened in June, replacing the facility devastated in the December 1972 earthquake. Great credit is due our management and employees in Nicaragua whose efforts led to the restoration of an operation in that country in the shortest possible time under extreme difficulties. Also, a significant part of our total capital expenditures is directed to our continuing program to improve productivity and efficiency at major locations around the world.

Furthermore, Nabisco continues to devise and use new technologies. Recognizing a worldwide need to solve protein shortages, we have developed, at our extensive research and development facilities, an improved process for textured vegetable proteins—known as VMR. More complete information about VMR appears elsewhere in this report.

Looking beyond the immediate future, we have a commitment to and confidence in the continued profitable growth of your Company. We recognize that in today's business environment there will be many temporary difficulties and problems to be solved. We have complete faith in the ability of experienced Nabisco management to deal with them effectively. We expect continued growth, selected new associations and further profitable diversification. We intend to carry forward Nabisco's objective of providing quality products and good value for the consumer and in the process maintain an earnings growth trend which will provide a profitable return for our shareholders and resources for reinvestment in growing markets.

As we enter 1974 there appears to be a significant swing towards fundamental values and this offers added opportunity for Nabisco based on the trust and confidence consumers have in our product lines.

Robert M. Schaeberle, *Chairman*

Val B. Diehl, *President*

Highlights of the Year

Associated Products

The newest member of the growing Nabisco family of diverse companies is Associated Products, Inc. On October 12 this firm became a wholly owned subsidiary of Nabisco, Inc. in a transaction involving approximately 867,000 shares of Nabisco common stock.

The addition of Associated Products greatly enlarges the number of widely diverse product lines now produced and distributed by Nabisco divisions and subsidiaries. Associated is the manufacturer of canned and dry main-meal pet foods and a line of home furnishings. Among its major brand name products are RIVAL and BLUE MOUNTAIN pet foods, EVERLON knitted curtains, and HYGIENE shower and bathroom window curtains. "Snoopy," popular Charles M. Schulz character, is featured in RIVAL pet food advertising and promotion and enlivens RIVAL labels.

The HYGIENE division is a large producer of shower and bathroom curtains with wide distribution through most large U. S. department stores and variety chains. Associated Products operates plants in California, Illinois, New Jersey, New York and Oregon, and has approximately 1,400 employees. The company's annual volume of business is in excess of $70 million.

International

AUSTRALIA—Three biscuit products of Nabisco, Pty. won medals for product quality, packaging design and production technology in the 12th World Wide "Monde Selection Competition, Brussels". Chocolate JAFFA Biscuits and CRISPIES Cereal were awarded gold medals and MEAL MATES Biscuits, a silver medal.

Because of rapidly growing biscuit sales, a third oven is being installed at the Broadmeadows Bakery with production scheduled to begin in mid-1974.

SPAIN—A new band oven has been installed and a new system of distribution to branch warehouses is under test at Galletas Artiach.

NEW ZEALAND—When a new oven and biscuit production line at Lower Hutt went into operation, Griffin & Sons played host to the Prime Minister of New Zealand. It marked the first time the nation's chief executive officer had visited the plant in an official capacity.

Griffin is one of five manufacturers recognized for outstanding export achievement by New Zealand's Trade Promotion Council.

NICARAGUA—On June 21, 1973, less than six months after the destructive Managua earthquake, Industrias Nabisco Cristal was back in production and has been extremely successful in recovering its market position in Central America.

PUERTO RICO—Arbona Hermanos, under its famous SULTANA brand name, launched a Milk Cracker, which is expected to further strengthen its position in the biscuit market.

JAPAN—Yamazaki-Nabisco now ranks second in the world—after Nabisco U.S.—in RITZ Crackers production. One new product, NAKAYOSHI DOBUTSUEN ("Zoo Friends"), was inspired by BARNUM'S ANIMALS Crackers. In addition to the traditional circus animals, it features panda and rabbit-shaped crackers.

Entry is a unique sandwich variety, successfully introduced in Japan by Yamazaki-Nabisco. The crackers are the world-famous Ritz Crackers and the filling is a creamy vanilla.

VENEZUELA—A new oven for production of guava fruit-filled bars and high quality sweet biscuits has been installed at Nabisco-La Favorita and will be operational in 1974.

GERMANY—B. Sprengel, now first among Germany's chocolate assortment manufacturers, is constructing a large, automated warehouse in Hannover which will replace 28 smaller warehouses. A second fully automated chocolate bar line is being added.

SOUTH AFRICA—Since joining Nabisco in 1972, Pyott, Ltd. has instituted many benefit programs for South African employees including free school books for employees' children and medical, pension and sick-leave benefits.

DENMARK—An aggressive program resulted in 1973 export sales reaching one-third of Oxford's total volume, and was a major element in a particularly strong sales and marketing program.

ENGLAND—Launch of GOLDEN NUGGETS Cereal by Nabisco Foods was so successful in 1973 that a new production unit is being installed.

Introduction of larger sizes of SPOON SIZE Shredded Wheat and SHREDDIES Cereal has required ordering of additional packaging equipment. SHREDDIES, incidentally, was rated the fastest-growing cereal in the U.K. in 1973.

TEA TIME Assorted Biscuits, made by Nabisco-Frears, is being distributed in the United States by the Biscuit Division.

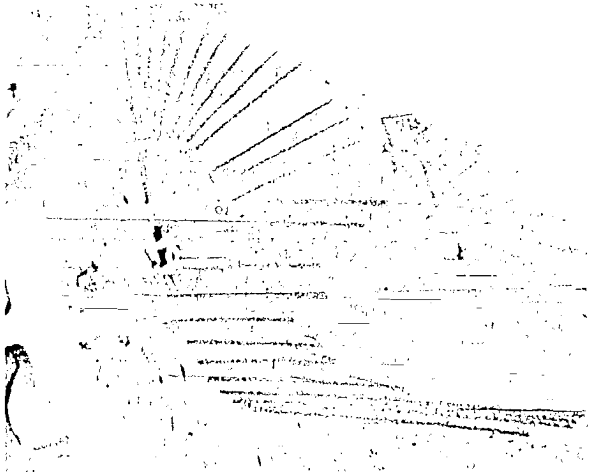
CANADA—A major bakery expansion program by Christie, Brown in Toronto will increase production capacity by 40 per cent.

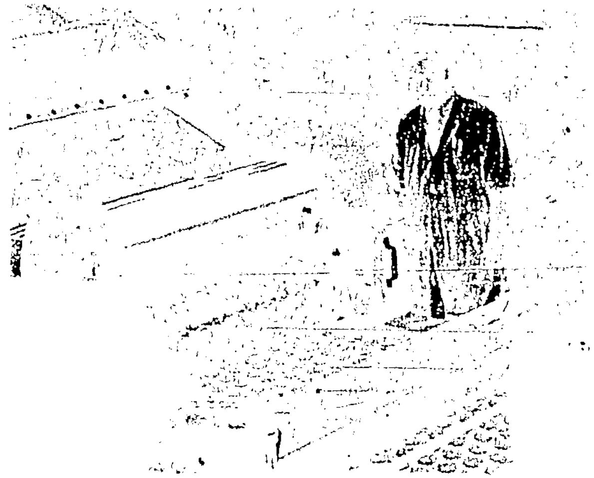
Deeper market penetration and the return of retail price stability led to sizeable volume and profitability increases for Christie's Bread during 1973.

The new pet food plant at Bramalea, Ontario, has enabled Nabisco Foods to expand production and launch the new MILK-BONE Brand Cheese Dog Biscuits.

Production capacity increased by 20 per cent at Reid Milling. Mill output has doubled since 1969, when the company joined Christie, Brown.

At Saiwa, Italy, a production line for snacks, such as Chipsters, was installed, left. Right, production began at Biscuit Belin's modern bakery at Evry, France Below is new International Training and Development Center, France





ITALY—A new production line for CHIPSTER Potato Snacks has been added at Saiwa and two ovens for pastry products have been rebuilt to facilitate new product introductions.

Growth of Saiwa's chewing gum has required the installation of new production and packaging equipment.

MEXICO—With completion of the new sales branch at Villahermosa, Nabisco-Famosa now delivers to stores in about 88 per cent of the total market area of Mexico.

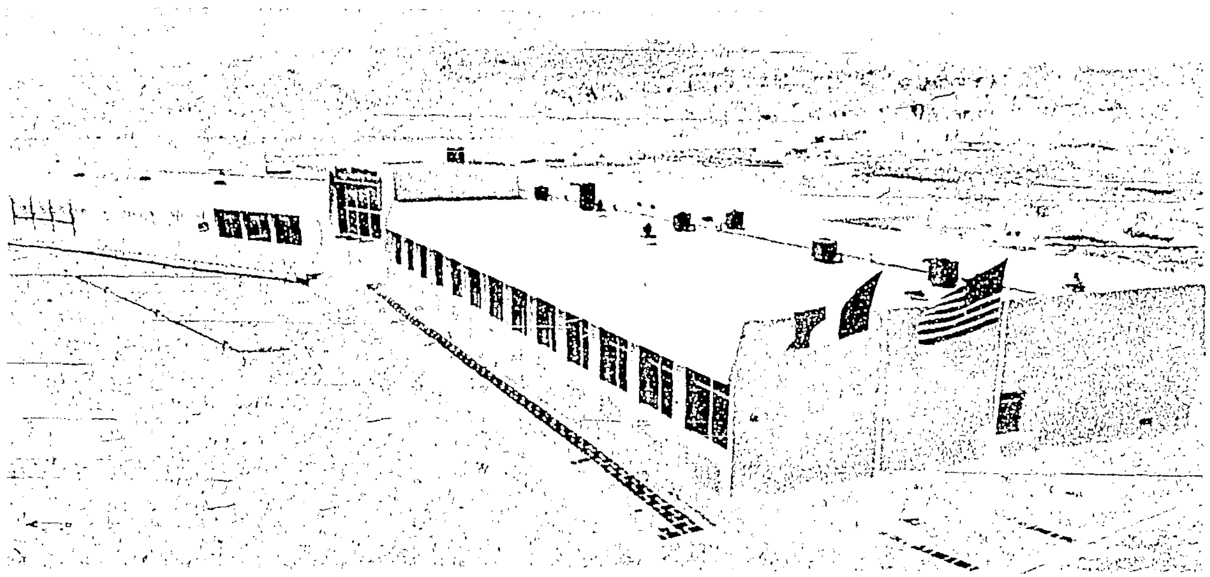
FRANCE—Biscuit Belin's new general offices and bakery at Evry, France (outside Paris) opened in June. Production has begun for PEPITO Biscuits, leader in children's biscuit market, RITZ Crackers, TUILES AMANDES, and other varieties. All eight ovens will be fully operational in 1974.

A new J. B. Williams plant is nearing completion in Normandy and a new tooth polish, PERLINE, is spearheading an expansion into the general toiletries market in France.

The International Training and Research Center at Chateau-Thierry, France opened in May for production research and development as well as for technical training of personnel.

Professional instructors from many countries utilize classrooms, laboratory and pilot plant, while students benefit from the library, residence rooms, and a large seminar/conference room with simultaneous translation facilities.

A laboratory and pilot plant analyzes and evaluates ingredients, packaging materials and finished products; experiments with new and modified products; helps in cost reduction and quality assurance.



Capital Improvements

RICHMOND, VA.—Nabisco's newest bakery went into operation in November. It is one of the largest plants of its kind in the country and will employ some 1,200. It will produce cookies, crackers and pretzels.

EAST HANOVER, N. J.—Ground was broken for Nabisco's new World Headquarters in October. Scheduled for completion in 1975, it will have 300,000 square feet and employ more than 1,000.

NIAGARA FALLS, N. Y.—A fifth oven is being installed for the production of TRISCUIT Wafers and will be in full operation by 1975. It entails an addition to the present bakery plus additional production equipment and a quality control lab.

MARSEILLES, ILL.—This printing and carton plant has begun a four-year modernization program which will replace letterpress operations with gravure printing and in-line cutting. It will also provide additional colors on cartons.

NIAGARA FALLS, N.Y.—Nabisco acquired approximately four and one-half acres of land adjacent to the bakery and will shortly begin construction of a distribution center to supply the Eastern and Atlantic regions with Nabisco cereals, pet foods and DROMEDARY products.

CHICAGO, ILL.—A new method of baking Sugar Wafer sheets uses electric ovens. Increased productivity and improved quality are expected.

FAIR LAWN, N. J.—Snack crackers will be produced on the new production line and oven being installed. It is scheduled for completion in 1975.

BUFFALO, N. Y.—An additional production line has been installed for the production of MILK-BONE Dog Biscuits, Cat Crackers and Dog Treats.

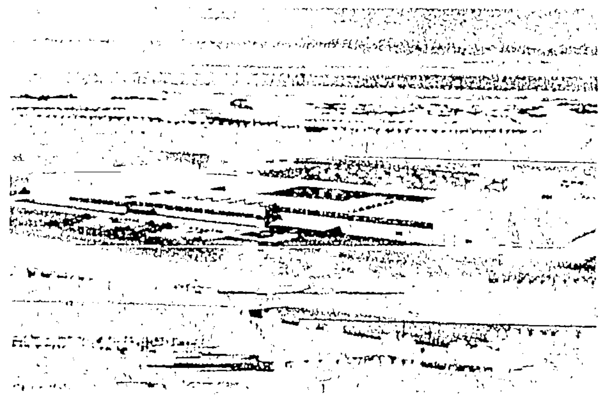
HOUSTON, TEX.—Additional packaging equipment, including a new spray machine, will result in increased production of ESCORT Crackers.

TOLEDO, OHIO—Nabisco's Toledo Flour Mill, the largest soft wheat mill in the U.S., has installed an automatic, multi-lane truck unloading operation. It can handle 500 truckloads of wheat a day.

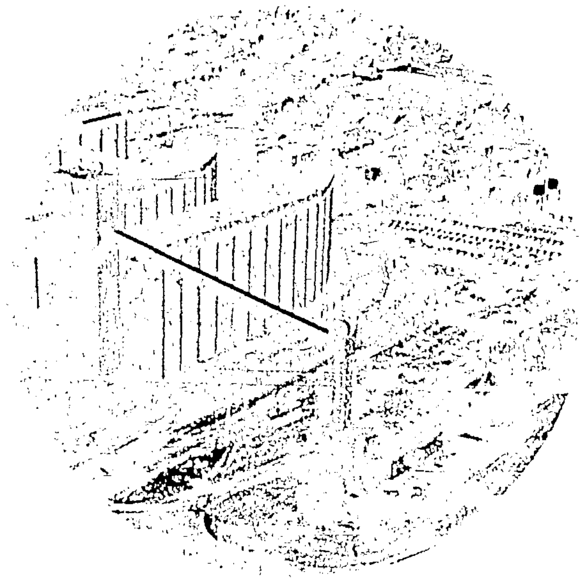
PHILADELPHIA, PA.—New mechanical feeders are being used to package Butter Flavored Cookies, Sugar Ring Cookies, Chocolate Sugar Ring Cookies, Cinnamon Sugar Cookies, Peanut Drop Cookies and Oatmeal Cookies. Feeders automatically place cookies in plastic trays and feed trays to wrapping machines. Wrapped trays are then loaded into shipping containers.

CHICAGO, ILL.—A new method of counting finished product has been installed and upon evaluation will be installed at other Nabisco bakeries. It features four infra-red sensors connected to a mini-computer which checks the correctness of product size and provides a reliable count.

PORTLAND, ORE.—The capacity of the OREO Creme Sandwich oven and packing line was increased from eight to 10 rows of cookies. The result is a 25 per cent increase in production.



Above is Nabisco's newest bakery in Richmond, Va., which began production in November. An automatic truck unloading facility has been installed at the Toledo Flour Mill, below



Why Food Prices Are Going Up

Many a shopper has a worried look at the supermarket checkout counter with the week's purchases. The total may be $50, $60, $70, or even higher.

There is concern, frustration and, sometimes, even anger about the trend of food prices. It started with meat just a few months ago, and within recent weeks, has affected every food product—right down to the peanut butter and jelly sandwich.

More and more, questions are being asked: Why are food prices so high? Who's to blame for the situation? What are food manufacturers doing about it?

These are good questions and present an opportunity for us to set the record straight.

The basic fact is that neither food manufacturers, such as Nabisco, nor retailers like the current wave of price increases any more than the consumer does. Price control regulations have limited a company's ability to pass on cost increases and consequently, these cost increases have to be absorbed—which has resulted in lower profits for many companies.

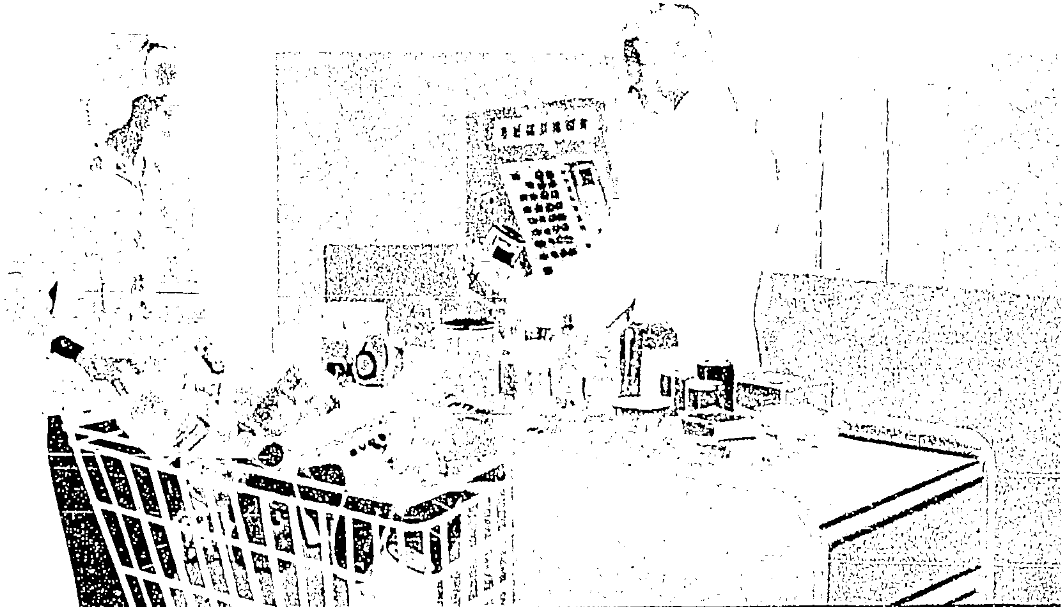
Likewise, the retailer is not getting any richer by passing along the price increases of his suppliers. Under Government regulations, the gross profit margin of his store cannot exceed prior base-period levels. The retailer is restricted to the same margins he maintained before prices went up.

Nabisco's recent price increases are merely a reflection of increases in costs. For example, over the past year, the price of wheat, a basic ingredient in most of our food products, has almost tripled. Increased consumption, poor crops, unexpected exports of large quantities of wheat to countries such as Russia, India and China—all have contributed to a critically short supply and consequent high wheat prices.

And the situation is the same for many other ingredients used in Nabisco products: milk, cocoa, sugar, spices—all have been on the cost spiral. Increased farming costs, transportation costs, labor costs are just some of the factors that have made Nabisco's "shopping" a more expensive operation each day.

So, Nabisco, the retailer and the American consumer are trying to cope together. We're monitoring our efficiencies in every phase of manufacturing, packaging and distribution; we're maintaining our highest standards of quality and at the same time attempting to save costs right down the line. And, as always, we're committed to offering the consumer the very highest value for every penny she spent. And retailers around the country are doing the same thing—holding down prices as well as they can, saving costs wherever they can.

Next time the conversation turns to the price of a package of cookies or the high checkout figures at the neighborhood supermarket, pass along the facts. You'll be doing yourself, Nabisco, and our friends, the American retailers, a much deserved service.



Energy

Throughout the latter part of 1973 and continuing into 1974, U.S. industry has been intensively engaged in a major effort to cope with the serious demands of the nation's energy crisis. Nabisco has, of course, participated in this effort with a 100 per cent commitment to achieve substantial energy savings in all of its divisions, plants and offices. The Company is fully aware of the urgent necessity to find and adopt stringent conservation measures throughout its operations.

Like other large manufacturers, Nabisco uses energy in many forms and spends in excess of $9 million annually for its energy requirements. The major forms are gas, oil, electricity and gasoline.

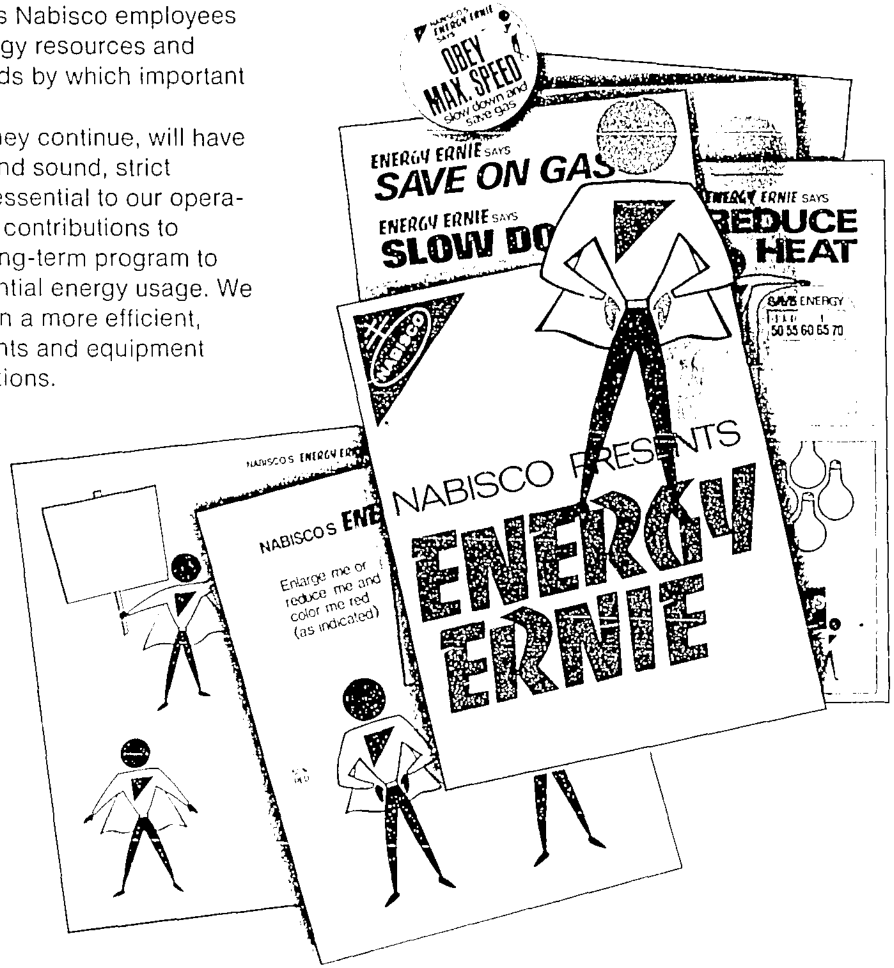
Perhaps the most critical form of energy in Nabisco's operations is natural gas. This is the chief source of energy for our major production units and baking in our cookie, cracker and cereal plants is done exclusively on gas-fired ovens. Shortages of natural gas have developed in some locations but so far we have not had to curtail production.

Nabisco is able to substitute propane gas for natural gas and we have installed stand-by propane units at several of our bakeries. We hope to be able to add similar units at other plants if they are needed

Gasoline shortages have not hurt domestic distribution through our Company-owned trucks. We have introduced a number of conservation measures, such as operation at lower speeds, and more efficient truck runs. Employee car pools and smaller cars for sales personnel may also reduce gasoline consumption.

A Company-wide program of energy conservation has been undertaken. To lend identity and continuity to the campaign, a cartoon figure has been devised. He is 'Nabisco's Energy Ernie' and his likeness is featured on campaign literature and placards. Pictured here are some of the ways in which 'Energy Ernie' reminds Nabisco employees of the need to conserve energy resources and indicates some of the methods by which important savings can be achieved.

Energy shortages, while they continue, will have an impact on our business and sound, strict conservation measures are essential to our operations. Nabisco views its own contributions to energy saving as part of a long-term program to combat waste and non-essential energy usage. We believe this effort will result in a more efficient, economical utilization of plants and equipment which can benefit our operations.



VMR

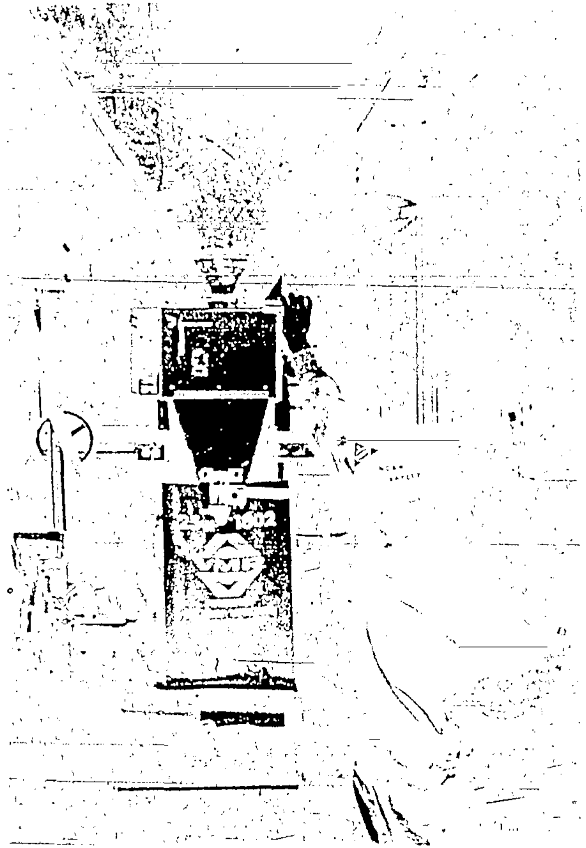
The increasing awareness and concern over a mounting world-wide protein shortage, particularly in the developing nations, have spurred considerable research into the creation of new sources of protein foods. Nabisco has been among the major food companies engaged in a research and development program to meet world requirements for vital proteins. Much of our research has been centered on "textured" vegetable proteins made from soy beans.

In the past year, the U.S. market for textured vegetable protein for human consumption has more than doubled. Industry sources project that this market will grow from its current estimated 100 million pounds to over 2.5 billion pounds by 1985.

Our research staff has developed a broad technology for textured vegetable proteins, which is readily adaptable for use in a wide variety of foods containing beef, poultry or fish. In 1972, Nabisco established the Protein Foods Division to develop, manufacture, and market world-wide this new line of textured vegetable proteins trademarked "VMR." The VMR line consists of high quality proteins at levels up to 60%, available in many forms from chunks to granules to flakes.

Special advantages of VMR are excellent texture and blending qualities which result in a natural appearance and flavor in meat, fish or poultry dishes. VMR, which is sold in dry form, is a much less expensive source of protein than the meat, fish or poultry it replaces.

VMR is currently being produced in Naperville, Illinois. To meet the anticipated heavy demand both in the U.S. and abroad, Nabisco is constructing a major new production facility at Morristown, Indiana, which is scheduled to be in operation by the end of the year.



New products utilizing VMR are under development to meet the rising demand for economical, protein-rich foods around the world.

In November, 1973, Nabisco's Protein Foods Division introduced VMR products internationally at the first World Soy Protein Conference in Munich, Germany. Considerable interest was generated among agricultural, nutritional, government and industry representatives from 46 nations. VMR is now being tested in many of these countries. A new organization is being established to develop and market VMR products and technology throughout the world. It will be headquartered in New York and will locate a European office in Brussels, Belgium.

Management Changes

In addition to the election of a new Chairman of the Board and a new President, a number of other executive changes took place in 1973.

Robert J. Jones was elected a Group Vice President. Mr. Jones had previously served as President of the Special Products Division.

Succeeding Mr. Jones in the latter position was Henry L. Henderson. A corporate vice president, Mr. Henderson had formerly headed the New Products Department.

Robert L. Sanford, also a corporate vice president, was named head of the newly formed Technical Services unit. Mr. Sanford had been Vice President, Operations & Development-Research.

Richard H. Gavoor was elected Controller. He had previously occupied the post of Assistant Controller for the past five years.

Robert S. Gruchacz, Controller, and Thomas J. McDonnell, Assistant General Counsel, were appointed Assistants to the President.

Highlights of the Year

New Products

New products are vital to the growth and prosperity of a diversified consumer-goods company such as Nabisco.

Here, we present just a few of many new items which were introduced by Nabisco in the United States during 1973.

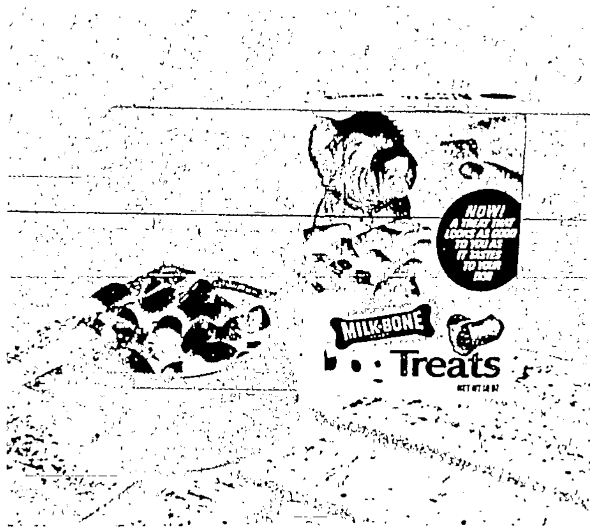
MILK-BONE Dog Biscuits launched a major addition to its line—Dog Treats, a tasty bite-sized goody. In appearance, it looks like a miniature hot dog in a roll.

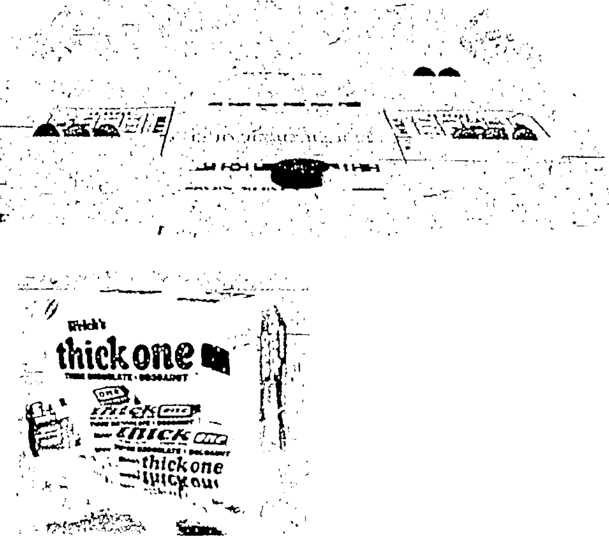
From Aurora Products came a whole line of new games named after the popular Flip Wilson. FLIP-IT TWENTY ONE, FLIP-IT JACKPOT and FLIP-IT SEVEN ELEVEN were introduced in 1973.

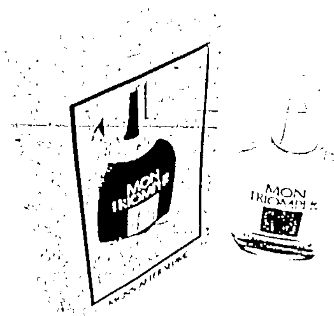
The THICK ONE is a moist cocoanut bar which has been coated with rich chocolate. It is being promoted as the candy bar with the "big bite."

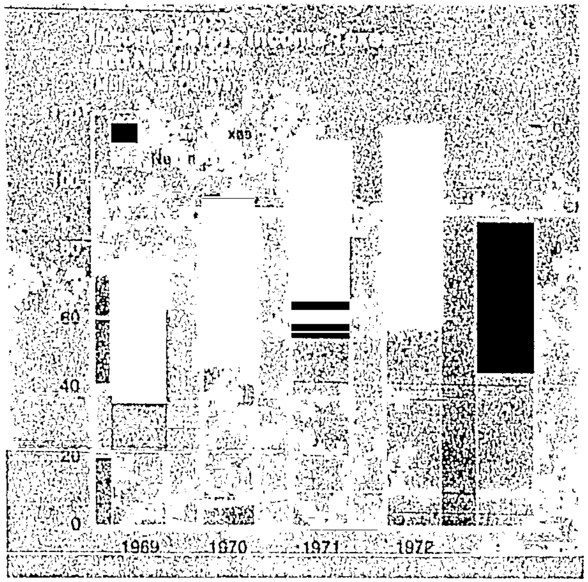
New products from the Biscuit Division included Cinnamon Treats, a graham cracker sprinkled liberally with cinnamon; CHEDDAR 'N CHIPS, a wafer thin cheese cracker; Cocoanut Macaroons, and a new SNACK MATE Cheese Spread, Sharp Cheddar.

MON TRIOMPHE is a new line of men's toiletries from J. B. Williams. A unique blend of 20 imported essences and emollients, MON TRIOMPHE is available as a cologne, shaving cream, an after-shave lotion and as an anti-perspirant.





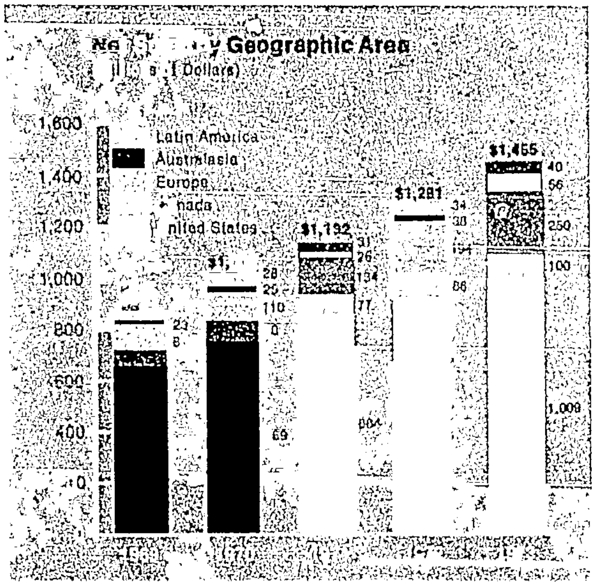




Operating Results

Sales in 1973 totaled a record $1,454.6 million, an increase of $173.4 million or 14% over last year. The impact of foreign currency rate changes and acquisitions not included in 1972 results added approximately $52 million to 1973 sales increases. Sales increases were achieved by all major product categories in which Nabisco operates.

During the past five years sales have increased significantly in each of the five geographic areas in which Nabisco operates. European sales now represent approximately 17 per cent of world-wide sales whereas five years ago they represented approximately 10 per cent. In 1969, United States sales were in excess of three-fourths of total sales, but now represent approximately 70 per cent of consolidated sales which reflects the Company's planned expansion abroad.



Consolidated international sales amounted to $445.9 million compared to $351.8 million last year and continued the upward trend of recent years. Increases were particularly significant in Canada, Latin America and Australasia.

In October, 1973, the Company acquired Associated Products, Inc., a diversified manufacturer of canned and dry main meal pet foods and home furnishings, and accounted for this acquisition as a pooling of interests. Accordingly, prior years' results have been restated. The fiscal year of Associated has been changed in 1973 to conform to the calendar year employed by Nabisco. Associated's sales for the calendar year 1973 were $71.7 million.

Income From Operations in 1973 amounted to $99.8 million, down from $126.2 million in 1972. The U. S. Biscuit Division's results of operations were a major contributor to the decline in consolidated income from operations with the Aurora Products' performance also a factor in the profit decline.

In 1973, the world commodity markets experienced frequent and volatile price increases which significantly increased the cost to Nabisco of its food raw materials. In the United States, the cost of wheat and other raw materials increased rapidly. Toward the end of 1973, the Company's U. S. Biscuit operations were incurring cost levels in certain major commodities that were approximately double those of the same period of the previous year. Labor and other costs also rose significantly during the year. Some of the same inflationary cost increases were experienced in other company operations as well.

Price controls in the United States and other areas of Nabisco's operations prevented adequate recovery of the unprecedented higher costs. During 1973, the continuation of the Economic Stabilization Program and significant changes in the regulations relating to this program resulted in Nabisco's having to prenotify and receive prior approval for all food product line price increases until a price "freeze" began in June. From the end of the "freeze" on July 18 until September 10, Nabisco was permitted to pass through food raw material cost increases only. Beginning September 10 other cost increases could be passed through after pre-notification and prior government approval was received. As a result of these regulations, U. S. food operations' selling price increases in 1973 were significantly less than operating cost increases. For example, during the fourth quarter, U. S. food operations incurred cost increases of approxi-

mately $15 million which were not offset by price increases. However, price increases have been implemented in January 1974 to recover pre-notified and raw material cost increases.

During 1973, the Federal government removed the seventy-five cents per bushel tax on wheat processing. This was more than offset, however, by the soaring raw material costs the Company incurred.

Unsettled market conditions in the important fourth quarter for the toy industry sharply reduced the rate of sales growth Aurora experienced during the first nine months. These conditions combined with sharply increased costs and certain inventory revaluations resulted in an operating loss of approximately $3 million for the year for Aurora Products. Planned improvements are being implemented which are expected to return Aurora to a profitable position.

Despite significant sales growth, earnings from international operations were affected by inflationary cost increases and price controls in many areas. Canada, Australasia and Latin America recorded improved earnings. European operations did not perform up to expectations, primarily due to higher costs and operating pressures in Germany. A new bakery near Paris, France began initial production in the fourth quarter. This facility will provide additional capacity and improve productivity of European operations.

Interest and Miscellaneous Income increased $4.3 million over 1972. Results in 1973 include foreign currency translation gains of approximately $3.2 million and gains of approximately $1.1 million from forward-exchange contracts.

Interest Expense was $17.6 million in 1973 as compared to $12.0 million in 1972. The 1973 expense relates to increased borrowings at higher interest rates required to support Nabisco's capital expenditure program and working capital needs.

Net Income for the year amounted to $44.0 million, compared to $58.5 million in 1972. Earnings per share were $2.75 in 1973, compared to $3.66 in 1972. Consolidated net income from international operations amounted to $11.2 million, including gains from foreign currency translation rate changes, compared to $9.4 million in 1972.

Financial Position

Working Capital of $215.1 million increased $41.8 million from last year, leaving Nabisco in a strong position as it enters 1974. The current ratio, representing the relationship of current assets to current liabilities, is 2 to 1 at year-end 1973, unchanged from last year.

Accounts Receivable increased $36.0 million to $160.6 million at the end of 1973. Expanded operations world wide, along with selling price increases and the impact of currency rate changes on foreign operations during 1973, contributed to the increase in accounts receivable.

Inventories of $240.3 million at year end 1973 compared to $168.0 million at the end of 1972. Significantly higher raw material costs, the effect of currency rate changes on foreign units and a higher level of operations were major factors contributing to the increased level of inventories.

Dividends on common stock declared in 1973 totalled $35.2 million, an annual rate of $2.30 per share. This compares to $33.5 million in 1972, or $2.225 per share, and marks the 75th year of continuous quarterly dividends.

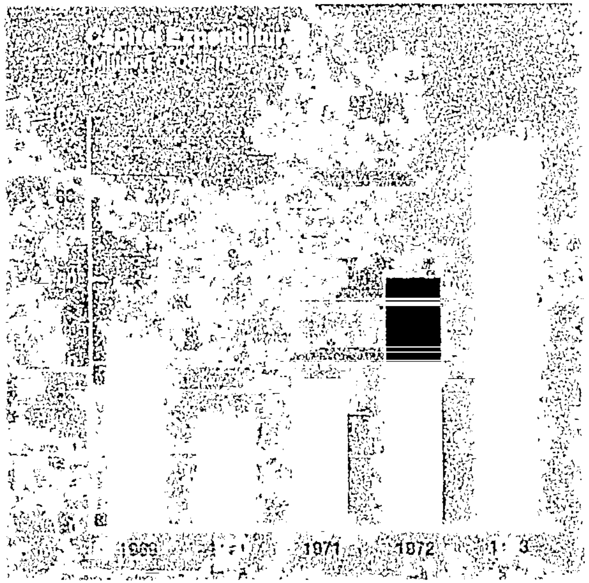
Capital Expenditures in 1973 amounted to $92.1 million. This represented a record level of expenditures compared to $60.2 million in 1972. Two new plants paced the expanded capital expenditure program. A major new biscuit bakery in Richmond, Virginia began production in the fourth quarter. The start up of this bakery closely followed that of the new bakery near Paris, France. Other capital projects were undertaken which will improve our ability to produce and distribute our products and are explained elsewhere in this report. Construction has started on a new corporate headquarters in East Hanover, New Jersey, which is expected to be completed during 1975.

Research and Development expenditures totaled $11.6 million in 1973, and $9.6 million in 1972. Advanced technological processes developed at

the Company's Fair Lawn, N.J. Research Center are in operation at the Richmond and Paris bakeries. A new research and training center began operations in France in 1973. This facility will be used for developing new products, quality control, and bakery production training for our European associates.

Financing

In order to finance the facilities expansion program, and to satisfy increasing needs for working capital occasioned by the growth of Nabisco's business, the Company in November 1973 sold $75 million of 7¾% Sinking Fund Debentures due November 1, 2003.



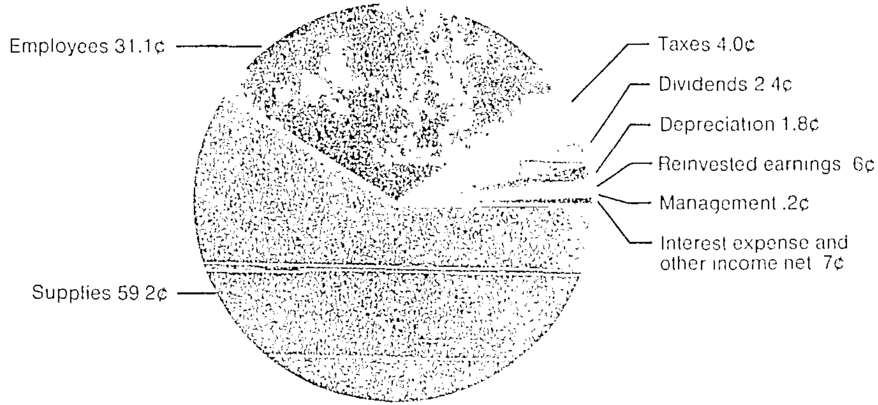
Net Sales By Quarters
(Millions of Dollars)

Quarter Ended	1973	1972
March 31	$ 331.6	$ 291.8
June 30	335.7	313.1
September 30	365.9	325.2
December 31	421.4	351.1
	$1,454.6	$1,281.2

Net Income By Quarters
(Millions of Dollars)

Quarter Ended	1973	1972
March 31	$14.0	$14.0
June 30	12.1	13.5
September 30	9.9	12.6
December 31	8.0	18.4
	$44.0	$58.5

How Each Worldwide Nabisco Sales Dollar Was Used



NABISCO, INC.
AND CONSOLIDATED SUBSIDIARIES

Statement of Income and Retained Earnings

	1973	1972
Net sales	$1,454,583,000	$1,281,219,000
Cost of sales	989,328,000	822,768,000
Selling, general and administrative expenses	365,442,000	332,231,000
	1,354,770,000	1,154,999,000
Income from operations	99,813,000	126,220,000
Interest and miscellaneous income, net	6,793,000	2,441,000
Interest expense, principally on long-term debt	(17,580,000)	(12,031,000)
Income before income taxes	89,026,000	116,630,000
Income taxes	45,059,000	58,128,000
Net income	43,967,000	58,502,000
Retained earnings, beginning of year, as previously reported	—	243,969,000
Retained earnings of Associated Products, Inc. accounted for as a pooling of interests	—	21,199,000
Retained earnings, beginning of year, as restated	289,647,000	265,168,000
Common dividends declared, $2.30 per share in 1973; $2.225 per share in 1972	(35,176,000)	(33,534,000)
Dividends of Associated Products, Inc. before acquisition	(610,000)	(489,000)
Adjustment to conform Associated Products, Inc. reporting period to that of Nabisco	(1,645,000)	—
Retained earnings, end of year	$ 296,183,000	$ 289,647,000
Net income per share of common stock	$2.75	$3.66

(Financial statements should be read in conjunction with the statement of accounting policies and notes to financial statements on pages 20 through 22.)

NABISCO, INC.

AND CONSOLIDATED SUBSIDIARIES

Balance Sheet

Assets	December 31, 1973	1972
Current assets		
Cash	$ 16,868,000	$ 25,215,000
Short-term investments, at cost which approximates market	7,806,000	20,599,000
Accounts receivable	160,558,000	124,555,000
Inventories	240,303,000	168,019,000
Total current assets	425,535,000	338,388,000
Property, plant and equipment	356,276,000	296,295,000
Other assets	32,898,000	25,822,000
Excess of investment in consolidated subsidiaries over net assets	73,827,000	72,964,000
	$888,536,000	$733,469,000

Liabilities and Shareholders' Equity	1973	1972
Current liabilities		
Bank loans and other short-term debt	$ 45,707,000	$ 31,620,000
Accounts payable	75,643,000	51,379,000
Accrued liabilities	70,276,000	57,518,000
Common dividend payable	9,169,000	8,670,000
Income taxes	9,660,000	15,887,000
Total current liabilities	210,455,000	165,074,000
Long-term debt	241,531,000	146,898,000
Other liabilities	20,713,000	19,394,000
Deferred income taxes and investment credit	32,010,000	24,606,000
Minority interests in consolidated subsidiaries	7,556,000	7,769,000
Shareholders' equity		
Capital stock, common—par value $5 Shares authorized 24,000,000	80,030,000	80,008,000
Additional paid-in capital	2,580,000	2,575,000
Retained earnings	296,183,000	289,647,000
Treasury stock at cost	(2,522,000)	(2,502,000)
	376,271,000	369,728,000
	$888,536,000	$733,469,000

(Financial statements should be read in conjunction with the statement of accounting policies and notes to financial statements on pages 20 through 22.)

NABISCO, INC.
AND CONSOLIDATED SUBSIDIARIES

Statement of Changes in Financial Position

	1973	1972
Resources provided:		
Net income	$ 43,967,000	$ 58,502,000
Depreciation	26,255,000	25,669,000
Deferred income taxes and investment credit	7,404,000	1,331,000
Adjustment to conform Associated Products, Inc. reporting period to that of Nabisco	(1,645,000)	—
Working capital provided from operations	75,981,000	85,502,000
Sale of 7¾% sinking fund debentures	75,000,000	—
Increase in other long-term debt and liabilities	22,702,000	1,819,000
Disposal of property, plant and equipment, net	5,821,000	5,914,000
Miscellaneous, net	(1,679,000)	772,000
Total resources provided	177,825,000	94,007,000
Resources applied:		
Dividends declared	35,176,000	33,534,000
Capital expenditures	92,057,000	60,156,000
Repurchases and current installment of debentures	1,750,000	2,730,000
Increase (decrease) in "other assets"	7,076,000	(3,857,000)
Non-current assets and liabilities of companies acquired:		
Property, plant and equipment	—	15,697,000
Cost in excess of net tangible assets acquired	—	13,737,000
Other, net	—	(5,801,000)
Investment in previously unconsolidated affiliate	—	(11,264,000)
	—	12,369,000
Total resources applied	136,059,000	104,932,000
Increase (decrease) in working capital	$ 41,766,000	($ 10,925,000)
Consisting of the following changes:		
Increase (decrease) in current assets:		
Cash and short-term investments	($ 21,140,000)	($ 38,085,000)
Accounts receivable	36,003,000	25,476,000
Inventories	72,284,000	30,985,000
	87,147,000	18,376,000
Increase (decrease) in current liabilities:		
Bank loans and other short-term debt	14,087,000	12,556,000
Accounts payable and accrued liabilities	37,022,000	16,913,000
Common dividend payable	499,000	1,071,000
Income taxes	(6,227,000)	(1,239,000)
	45,381,000	29,301,000
Increase (decrease) in working capital	$ 41,766,000	($ 10,925,000)

(Financial statements should be read in conjunction with the statement of accounting policies and notes to financial statements on pages 20 through 22.)

NABISCO, INC.

AND CONSOLIDATED SUBSIDIARIES

Statement of Capital Stock and Additional Paid-in Capital

(Dollars in thousands)

	Common Stock				Additional Paid-in Capital
	Issued		Treasury Stock		
	Shares	Amount	Shares	Amount	
Balance, January 1, 1972, as previously reported	15,084,294	$75,421	(4,893)	($ 212)	$ —
Acquisition of Associated Products, Inc.	867,230	4,336	—	—	437
Balance, January 1, 1972, as restated	15,951,524	79,757	(4,893)	(212)	437
Exercise of stock options	47,800	239	1,430	70	2,035
Issued in connection with incentive compensation plans	—	—	5,525	270	(3)
Issued upon conversion of debentures	2,334	12	—	—	106
Treasury stock acquired	—	—	(44,860)	(2,630)	—
Balance, December 31, 1972	16,001,658	80,008	(42,798)	(2,502)	2,575
Exercise of stock options	4,300	22	6,700	392	119
Issued in connection with incentive compensation plans	—	—	4,867	276	(9)
Issued upon conversion of debentures	39	—	—	—	2
Treasury stock acquired	—	—	(15,166)	(688)	(107)
Balance, December 31, 1973	16,005,997	$80,030	(46,397)	($2,522)	$2,580

(Financial statements should be read in conjunction with the statement of accounting policies and notes to financial statements on pages 20 through 22.)

Statement of Accounting Policies

Consolidation Policy—Nabisco consolidates all of its subsidiaries, except the foreign subsidiaries of Associated Products, Inc. ("Associated") which in the aggregate are not significant and are stated on the equity basis. The financial statements of certain foreign subsidiaries are included on a fiscal-year basis, ending principally on November 30, to facilitate prompt reporting of year-end consolidated results. For companies in which it has substantial interests, but owns 50 per cent or less, Nabisco records its share of the net results of operations.

Business Combinations—The net assets and results of operations of those businesses which are acquired in exchange for Nabisco common stock and qualify as poolings of interests are included in the financial statements as if they had always been subsidiaries. Accordingly, prior years' published financial data are restated.

The net assets of those businesses acquired which are accounted for as purchases are recorded at their fair values at the acquisition date and financial reports include their operations only from that date. The excess of acquisition cost over the fair value is included in the balance sheet as excess of investment in consolidated subsidiaries over net assets. That part of the excess which relates to acquisitions made in 1971 or thereafter is being reduced by annual charges against income over a 40-year period in accordance with generally accepted accounting principles effective at the beginning of that year. The excess which relates to acquisitions initiated prior to 1971 is not being amortized because, in the opinion of management, its value in relationship to values associated with operations has not diminished.

Inventories are stated principally at the lower of average cost or market.

Investment Credit—Nabisco generally recognizes the U.S. investment credit earned on capital additions by reducing income tax expense over the estimated useful lives of the related assets.

Property, Plant and Equipment are recorded at cost. For financial reporting purposes, the company and its subsidiaries generally provide depreciation on buildings, machinery and equipment on a straight-line basis.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which result in the enhancement of the value of the facilities involved are treated as additions to plant and equipment.

Research and Development costs are charged against earnings in the year in which they are incurred.

Foreign Exchange Rates—Nabisco translates the accounts of subsidiaries which are stated in foreign currencies into United States dollars in the following manner: property, plant and equipment, related depreciation and certain other assets at historical rates; the remaining net assets at current rates of exchange. Revenue and expense items other than depreciation are translated at rates of exchange in effect at the time when the transactions occurred.

Generally, unrealized gains and losses from foreign currency translation methods as described above as well as realized gains and losses from forward exchange contracts are reflected in results of operations.

Net Income Per Share is based on the weighted average number of shares outstanding during the periods presented after giving effect to the potential dilutive effect of the exercise of stock options.

Notes To Financial Statements

Acquisitions—In October, 1973, Nabisco, Inc. acquired Associated for 867,230 shares of its common stock. The transaction has been accounted for as a pooling of interests. Associated's results of operations for its fiscal year ended May 31, 1973, which reflects net sales and net income of $66,285,000 and $4,137,000, respectively, have been combined with Nabisco's results of operations for 1972. After the acquisition by Nabisco, Associated changed to the calendar year basis for reporting. The consolidated results of operations for 1973 include Associated's net sales and net income of $71,651,000 and $3,835,000, respectively, for the year ended December 31, 1973. As a result of this presentation, Associated's net income of $1,645,000 for the five months ended May 31, 1973, which has been included in both years, has been deducted from retained earnings. For the nine months ended September 30, 1973, prior to its acquisition, Associated had net sales and net income of $54,267,000 and $2,594,000, respectively.

Also during 1973, Nabisco increased its equity in two subsidiaries. In the aggregate, these investments were not significant.

In 1972, the Company increased its equity position in B. Sprengel & Company, West Germany, to a substantial majority. The Company also acquired a controlling interest in Pyott Ltd., South Africa, and an additional interest in Yamazaki-

Nabisco Ltd., Japan, which raised its investment to 50 per cent in this joint venture.

Property, Plant and Equipment:

	December 31, 1973	1972
Land	$ 18,530,000	$ 15,650,000
Buildings	192,576,000	180,939,000
Machinery and Equipment	446,591,000	385,842,000
	657,697,000	582,431,000
Less accumulated depreciation	301,421,000	286,136,000
	$356,276,000	$296,295,000

Depreciation of plant and equipment totaled $26,255,000 in 1973 and $25,669,000 in 1972.

Other Assets consist of prepaid expenses and deferred charges, investments in and advances to unconsolidated affiliates and others. Construction costs for the new corporate headquarters, which are expected to be financed under a sale-and-leaseback arrangement, are also included in other assets.

Long Term Debt:

	December 31, 1973	1972
6½ % Guaranteed Debentures due October 1, 1982	$ 12,500,000	$ 14,000,000
4¾ % Subordinated Debentures due April 1, 1987	29,835,000	30,083,000
5¼ % Guaranteed Convertible Debentures due March 1, 1988	28,286,000	28,288,000
7¾ % Sinking Fund Debentures due May 1, 2001	50,000,000	50,000,000
7¾ % Sinking Fund Debentures due November 1, 2003	75,000,000	—
Other long-term debt	45,910,000	24,527,000
	$241,531,000	$146,898,000

The outstanding 5¼ per cent Guaranteed Convertible Debentures are convertible at $50.50 per share into 560,119 shares of common stock.

In November 1973, Nabisco issued $75,000,000 of 7¾ per cent Sinking Fund Debentures which are subject to redemption through a sinking fund beginning in November 1984 at a minimum annual rate of $3,750,000 or up to $7,500,000 at Nabisco's option. All or any part of these debentures may be redeemed at the company's option, beginning in 1983 at prices decreasing gradually from 104.35 per cent of the principal amount to 100 per cent in 1998.

Other long-term debt, maturing between 1975 and 1990 with interest rates ranging from 2 per cent to 11½ per cent, consists principally of overseas bank financing and other debt.

Included in Bank Loans and Other Short-Term Debt are $1,962,000 of debentures and other long-term debt maturing within one year. The aggregate amount of maturities and sinking fund requirements for the four years following December 31, 1974 are: 1975, $14,964,000; 1976, $5,060,000; 1977, $5,181,000; 1978, $4,475,000.

In connection with the acquisition of Associated, Nabisco issued substitute warrants for those of Associated which were outstanding under an institutional-term loan. The warrants are convertible into 36,250 shares of Nabisco's common stock at $68.95 per share and expire on June 15, 1979.

Other Liabilities consist of certain pension accruals and the deferred portion of amounts provided for management incentive awards.

Retirement Plans—The Company has a voluntary non-contributory pension plan, which has been approved by the shareholders, for employees not covered by union-industry pension plans. Certain subsidiaries have similar plans. The related pension expense is comprised of a provision for current-service costs and amortization of unfunded prior-service liabilities. Annually, the Company pays to an independent trustee amounts sufficient to assure successful operation of its pension plan on an actuarial basis. In addition, the union-industry pension plans require contributions as defined in the union agreements. Total pension costs amounted to $17,185,000 in 1973 and $15,696,000 in 1972.

Income Taxes include the following:

	1973	1972
Currently payable		
U S Federal	$25,275,000	$42,771,000
Foreign	7,636,000	8,212,000
State and local	4,661,000	5,814,000
	37,572,000	56,797,000
Deferred, principally U.S. Federal	7,487,000	1,331,000
	$45,059,000	$58,128,000

Deferred income taxes primarily result from the use of accelerated depreciation methods for tax-return purposes. Accumulated balances of deferred income taxes and investment credit were $25,405,000 and $6,605,000 at December 31, 1973 and $20,733,000 and $3,873,000 at December 31, 1972, respectively.

U.S. income and foreign withholding taxes are provided currently on foreign subsidiaries' net earnings which are expected to be distributed to the parent company. Over the years, the Company has reinvested approximately $22,000,000 of subsidiaries' retained earnings to meet their operating needs and accordingly has not provided taxes on these amounts.

Stock Options—The shareholders have approved stock option plans for officers and key employees of the company, which provide for the issuance of not more than 500,000 shares of the company's common stock at not less than 100 per cent of the average market price on the date the options are granted.

On January 1, 1973, there were options out-

standing to purchase 184,160 shares. Options for the purchase of 65,650 shares at $44.63 per share were granted in 1973 and substitute options for 39,511 shares at prices ranging from $31.40 to $56.94 were granted in connection with the acquisition of Associated. Options for the purchase of 11,000 shares at prices of $43.75 to $50.44 were exercised in 1973. Options for 33,710 shares expired or were cancelled during 1973, with the result that at December 31, 1973 there were options outstanding to purchase 244,611 shares at prices ranging from $31.40 to $57.06. Options covering 152,691 shares were exercisable at December 31, 1973.

Consolidated International Operations are included in the financial statements for 1973 at the following U. S. dollar amounts: working capital, $34,262,000; net plant assets, $153,550,000; net sales, $445,911,000 and net income, which includes foreign currency translation gains and after minority interests, $11,222,000. The comparable amounts for 1972 were working capital, $31,997,000; net plant assets, $128,615,000; net sales $351,765,000 and net income, which includes foreign currency translation losses and after minority interests, $9,433,000.

Foreign Currency Translation—Gains (losses) of $3,192,000 and ($644,000) are included in net income in 1973 and 1972, respectively. In addition, Nabisco realized forward exchange contract gains of $577,000, after taxes of $531,000, in 1973. In 1972 the amount was not significant. The results of foreign exchange adjustments are included in Interest and miscellaneous income in the Statement of Income and Retained Earnings.

Commitments, principally for new facilities in East Hanover, New Jersey, Richmond, Virginia and Paris, France, approximated $57 million at year end.

Rental expense charged to income amounted to $13,067,000 in 1973 and $10,781,000 in 1972.

At December 31, 1973, Nabisco was committed under noncancellable leases having an initial term of one year or more as follows:

Minimum Rental Commitments

Period	Real Estate	Machinery & Equipment	Total
1974	$10,018,000	$2,102,000	$12,120,000
1975	8,887,000	1,249,000	10,136,000
1976	7,727,000	431,000	8,158,000
1977	7,211,000	171,000	7,382,000
1978	6,154,000	127,000	6,281,000
1979-1983	24,146,000	28,000	24,174,000
1984-1988	13,125,000	—	13,125,000
1989-1993	11,567,000	—	11,567,000
1994-2062	16,861,000	—	16,861,000

Recently promulgated financial reporting standards require disclosure of information relating to the present value and the estimated effect on net income of capitalizing leases which are construed as financing. This information will be disclosed in the Company's Annual Report Form 10-K to be filed with the Securities and Exchange Commission and will be furnished by the Company upon request.

Litigation—Various legal actions, governmental proceedings and other claims are pending against the Company and certain of its subsidiaries. Although the amount of liability at December 31, 1973 with respect to such matters cannot be ascertained, in the opinion of Nabisco management the ultimate liability, if any, from all pending legal and government proceedings and other claims will not materially affect Nabisco's financial position or results of operations.

Report of Auditors

To the Shareholders of Nabisco, Inc.:

We have examined the consolidated balance sheet of Nabisco, Inc. and its subsidiaries as of December 31, 1973, and the related consolidated statements of income and retained earnings, capital stock and additional paid-in capital, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements for the year 1972.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Nabisco, Inc. and its subsidiaries at December 31, 1973 and 1972, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND
1251 Avenue of the Americas
New York, N.Y. 10020

February 4, 1974

NABISCO, INC.

AND CONSOLIDATED SUBSIDIARIES

Five Year Financial Summary

Dollars in Millions (except per share figures)

	1973	1972	1971	1970	1969
Net sales	$1,454.6	$1,281.2	$1,131.8	$1,002.3	$865.6
Income before income taxes	89.0	116.6	112.2	96.0	77.3
Income taxes	45.0	58.1	58.8	50.0	42.2
Net income	44.0	58.5	53.4	46.0	35.1
Net income per common share	2.75	3.66	3.35	2 90	2.24
Dividends declared					
Common stock	35.2	33.5	30.4	30.2	29.9
Per common share	2.30	2.225	2.20	2.20	2.20
Current assets	425.5	338 4	320.0	260 7	255.9
Current liabilities	210.4	165.1	135.8	123.3	115.1
Working capital	215.1	173.3	184.2	137.4	140.8
Plant and equipment, net	356.3	296.3	252.0	233.2	219.8
Capital expenditures	92.1	60.2	35.9	26.3	45.8
Cost of employees' services	452.9	395.7	348.3	310.0	265.2
Provision for all taxes (except social security)	57.7	70.9	70.3	59.5	51.2
Book value of common stock	376.3	369.7	344 4	320.5	301.7
Book value per common share	23.58	23.17	21.60	20.13	19.21

Board of Directors

LAWRENCE A. APPLEY*
Chairman of the Board,
American Management Associations, Inc., New York

LEE S. BICKMORE*
Chairman of the Executive Committee

BERFORD BRITTAIN, JR.*
Former Senior Vice President,
Continental Illinois National Bank & Trust Company
of Chicago, Chicago, Ill.

VAL B. DIEHL*
President and Chief Operating Officer

HARRISON F. DUNNING*‡
Former Chairman and Chief Executive Officer,
Scott Paper Company, Philadelphia, Pa.

KENNETH C FOSTER†
Former President,
The Prudential Insurance Company of America,
Newark, N.J.

ROBERT W. HAACK‡
Director of various corporations

CHARLES W. LUBIN‡
Food consultant and investor

DON G. MITCHELL*‡
Chairman, Executive Committee,
American Management Associations, Inc., New York

WILLIAM H MOORE
Chairman of the Board, Bankers Trust New York
Corporation and Bankers Trust Company, New York

MATTHEW B. ROSENHAUS*
Vice Chairman of the Board

ROBERT M. SCHAEBERLE*
Chairman of the Board and Chief Executive Officer

PERRY M. SHOEMAKER†
Transportation consultant

JAMES O. WELCH†
Trustee and Director of various corporations,

*Member of the Executive Committee
†Member of the Audit Committee
‡Member of the Compensation Committee

Office of the Chairman

ROBERT M SCHAEBERLE
Chairman of the Board and Chief Executive Officer

MATTHEW B ROSENHAUS
Vice Chairman of the Board

VAL B. DIEHL
President and Chief Operating Officer

Group and Senior Vice Presidents

FARISH A JENKINS, Group Vice President

RALPH W. JONES, Group Vice President

ROBERT J. JONES, Group Vice President

CHARLES S. WEBSTER, Group Vice President

EDWARD A. OTOCKA, Senior Vice President

Corporate Vice Presidents

DAVID F. BULL, President, Biscuit Division

CHARLES M. DIKER, President, Aurora Products

J. STEWART ENGLISH, Corporate Development

WALTER S. HALLIDAY, JR., General Counsel

HENRY L. HENDERSON, President, Special Products Division

ROY K KELLEY, Consumer and Community Affairs

JOHN B. McGOVERN, Personnel Relations

FRANK K. MONTGOMERY, JR., Corporate Planning

EDWIN F. MUNDY, Traffic

CARL R. PILZ, Purchasing

THEODORE G. RICHTER, President, International Division

WARREN J. ROBERTSON, Finance

ROBERT L. SANFORD, Technical Services

HARRY F. SCHROETER, Corporate Marketing
and Communications

DWIGHT H. SCOTT, Government Relations

PAUL L SNYDER, President, Freezer Queen Foods

JAMES O. WELCH, JR., President, Nabisco Confections, Inc

RICHARD H. GAVOOR, Controller

KENNETH M. HATCHER, Secretary

C. RICHARD OWENS, Treasurer

Principal United States Plants

BISCUIT DIVISION

Atlanta, Georgia (Cookies, crackers)
Buena Park, California (Cookies, crackers, snack foods)
Chicago, Illinois (Cookies, crackers, pretzels, toaster pastries)
Dayton, Ohio (Cones)
Denver, Colorado (Cookies, crackers)
Fair Lawn, New Jersey (Cookies, crackers)
Houston, Texas (Cookies, crackers)
Philadelphia, Pennsylvania (Cookies, crackers)
Pittsburgh, Pennsylvania (Cookies, crackers, snack foods)
Portland, Oregon (Cookies, crackers, cones)
Richmond, Va. (Cookies, crackers, pretzels)
St. Louis, Missouri (Crackers)
Wrightstown, Wisconsin (Cheese spreads)
York, Pennsylvania (Pretzels)

SPECIAL PRODUCTS DIVISION

Buffalo, New York (Pet foods)
Minneapolis, Minnesota (Cereals)
Naperville, Illinois (Cereals, cake mixes)
Niagara Falls, New York (Cereals)
Oakland, California (Cereals)
Woodbury, Georgia (Pimientos, dates, steamed breads, peanuts)

CONFECTIONERY DIVISION

Cambridge, Massachusetts (Candy)
Danville, Illinois (Candy)
Los Angeles, California (Candy)
Mansfield, Massachusetts (Chocolate, candy)

THE J. B. WILLIAMS COMPANY, INC.

Cranford, New Jersey (Pharmaceuticals, toiletries)

AURORA PRODUCTS CORP.

Downey, California (Hobby motors)
Sag Harbor, New York (Motors)
West Hempstead, New York (Model Motoring, games)

FREEZER QUEEN FOODS, INC.

Buffalo, New York (Frozen foods)

ASSOCIATED PRODUCTS, INC.

Bridgeview, Illinois (Pet foods)
Brooklyn, New York (Home furnishings)
Closter, New Jersey (Fabrics)
Gardena, California (Home furnishings)
Tualatin, Oregon (Pet foods)

OTHER PLANTS

Beacon, New York (Printing plant)
Carthage, Missouri (Flour mill)
Cheney, Washington (Flour mill)
Evanston, Illinois (Machine shop)
Fair Lawn, New Jersey (Research and development)
Marseilles, Illinois (Paperboard and printing plant)
Toledo, Ohio (Flour mill)

Transfer Agents

Morgan Guaranty Trust Company,
30 West Broadway, New York, N.Y. 10015

Continental Illinois National Bank and Trust Company of Chicago,
231 South LaSalle Street, Chicago, Ill. 60690

Crocker National Bank,
1 Montgomery Street, San Francisco, Calif. 94120

Registrars

Morgan Guaranty Trust Company,
30 West Broadway, New York, N.Y. 10015

The First National Bank of Chicago,
38 South Dearborn Street, Chicago, Ill. 60690

Bank of America,
1 South Van Ness Avenue, San Francisco, Calif. 94120

Debentures Trustees

Bankers Trust Company,
16 Wall Street, New York, N.Y. 10015

Morgan Guaranty Trust Company,
23 Wall Street, New York, N.Y. 10015

Principal International Operations

AUSTRALIA
Nabisco Pty. Limited

CANADA
Christie, Brown & Company, Limited
Nabisco Limited:
Christie's Bread Division
Nabisco Foods Division

DENMARK
Oxford Biscuit Factory Ltd.

ENGLAND
Nabisco Limited:
Nabisco Foods Division
Nabisco-Frears Biscuits Division

FRANCE
Biscuits Belin, S.A.

GERMANY
B. Sprengel & Co.
XOX-Nabisco GmbH

ITALY
Saiwa, S.p.A.

JAPAN
Yamazaki-Nabisco Co., Ltd.

MEXICO
Nabisco-Famosa, S.A.

NEW ZEALAND
Griffin & Sons, Limited

NICARAGUA
Industrias Nabisco Cristal, S.A.

PUERTO RICO
Arbona Hermanos Division
Toa Baja Sales Branch

SPAIN
Galletas Artiach, S.A.

UNION OF SOUTH AFRICA
Pyott, Ltd.

VENEZUELA
Nabisco-LaFavorita, C.A.

Printed in U.S.A.